

**STATEMENT OF E. MELODEE STITH, ASSOCIATE DIRECTOR, ACQUISITION AND FINANCIAL ASSISTANCE, OFFICE OF ACQUISITION AND PROPERTY MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR, BEFORE A JOINT HEARING OF THE COMMITTEE ON GOVERNMENT REFORM AND THE COMMITTEE ON SMALL BUSINESS ON THE AWARD OF CONTRACTS TO ALASKA NATIVE CORPORATIONS (ANCs) PARTICIPATING IN THE SMALL BUSINESS ADMINISTRATION'S 8(a) PROGRAM BY FEDERAL AGENCIES.**

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Messrs. Chairman, thank you for providing me with the opportunity to present the views of the Department of the Interior on the award of contracts by Federal agencies to Alaska Native Corporations (ANCs) participating in the Small Business Administration's (SBA) 8(a) Program.

In December 1971, Congress enacted the Alaska Native Claims Settlement Act to resolve land claims and to foster economic development for Alaska Natives. The statute created Alaska Native Corporations as a means for distributing land and monetary benefits to Alaska Natives in lieu of a reservation system. Since 1986, ANCs have been permitted to participate in the SBA's 8(a) program; a program developed to foster the growth and development of small businesses owned by socially and economically disadvantaged individuals.

By law and regulation, certain limitations that apply to other 8(a) certified small businesses, are not applicable to ANCs. In one example, for most 8(a) firms, sole-source awards are limited to \$5 million for manufacturing and to \$3 million for other goods and services. Acquisition requirements above these thresholds must be competed among eligible 8(a) certified small businesses. However, section 124.506(b) of Title 13 of the Code of Federal Regulations (13 CFR 125.506(b)) provides that an exemption from the sole-source threshold limitation that a

procurement be competed before it is awarded on a sole source basis for tribally-owned concerns, including ANCs.

Have ANCs been successful in attracting Federal contract awards under the 8(a) Program? The answer appears to be a strong affirmative. According to the Government Accountability Office's (GAO) April 2006 report, "Contract Management- Increased Use of Alaska Native Corporations' Special 8(a) Provisions Call for Tailored Oversight," "8(a) obligations to firms owned by ANCs increased from \$265 million in fiscal year 2000 to \$1.1 billion in 2004."

The U.S. Department of the Interior has a significant presence in Alaska and considerable interaction with the Alaska Native people. From the standpoint of our responsibilities to Alaskan Natives we definitely have an interest in providing continuing economic opportunities through federal contracts.

The GAO identified the need for the Federal contracting community to better understand the nature of ANCs and mitigate any risk of their misuse under the 8(a) program.

We concurred with the draft and final GAO reports' recommendation made to the Departments of Defense, Energy, Homeland Security, the Interior, State, and Transportation, and the National Aeronautics and Space Administration, to work with the SBA to "develop guidance to agency contracting officers on how to comply with requirements of the 8(a) program such as limitations on subcontracting and notifying SBA of contract modifications, particularly when contracting with 8(a) ANC firms." In fact, we proposed that an inter-agency work group be established and

headed by the SBA to develop this important and much needed guidance for our contracting and Small and Disadvantaged Business Utilization and Development communities. We look forward to partnering with our colleagues in developing the guidance.

Messrs. Chairman, this concludes my prepared remarks. I will be happy to answer any questions you or other members of the committees might have.